

**MINUTES OF THE MEETING OF
THE ADVISORY COMMITTEE OF THE
LOCAL GOVERNMENT PROPERTY INSURANCE FUND**

Wednesday, April 9, 2003

**Engineering Services Building
1602 Emil Street
City of Madison**

PRESENT: Kevin Houlihan, Chair, City of Madison
Vince Marchetti, Vice Chair, Town of Necedah
Glinda Loving, 2nd Vice Chair, Milwaukee Metropolitan Sewage District
Nicholas Alioto, Kenosha Unified School District #1
Lynn Davis, CESA #6
Julie Helt, Village of Waunakee
Don LaFontaine, City of Oshkosh
Harold Reckelberg, Town of Luxemburg
Jerry Runice, Berlin Area School District
Doug Saubert, City of Whitewater
Barb Wegner, Dane County
Eileen Mallow, Office of the Commissioner of Insurance
Dan Bubolz, Office of the Commissioner of Insurance

GUESTS: Greg Grunow, The ASU Group
Sharon Moody, The ASU Group
Fred Haring, The ASU Group
April Zelinski, The ASU Group
Dennis Tweedale, Devine & Tweedale
Dave Marchant, Marchant Consulting
Ron Fowler, Deloitte & Touche

ABSENT: Carole Charles, Outagamie County
Nick Evgenides, Brown County
Connie Fisher, Chippewa County
John Keller, School District of Howard/Suamico
John Rath, Milwaukee County
Terry Siikarla, City of West Bend
Laura Stauffer, Waukesha County
Patricia Stevens, Town of Grand Chute

Kevin Houlihan called the meeting to order at 9:10 a.m.

Kevin Houlihan welcomed attendees and introductions were made.

Upon a motion made by Vince Marchetti and seconded by Don LaFontaine, it was unanimously

RESOLVED, that the minutes of the Advisory Committee of October 22, 2002 are approved as presented.

Old Business

April Zelinski discussed the topic of Organizational Structure/By-Laws. The enclosed by-laws were introduced at the last Advisory Committee meeting. No feedback has been provided by members. Consideration needs to be given to a couple of areas:

- 1.1 Membership
 - Limits number of participants to 20 and only 1 representative from each local governmental unit
- 1.3 Terms of Appointment
 - Establishes terms for service. Records will need to be maintained to track appointments.

As the records and meetings are not subject to the Open Meetings Act, the following language changes are suggested:

- 4.5 Public Records
 - Strike 2nd sentence.
- 4.6 Public Notice
 - "Public notice of the time, date and place of all regular and special meetings shall be given by the posting of same on the Fund's web page."

The Committee discussed the issues regarding appointments versus elections of members, trying to balance representation of all types of entities, or even, just keeping membership open to any interested policyholder.

It was agreed that a sub-committee be appointed to work on this issue. Eileen Mallow requested that the sub-committee try to identify the interest level of the members. The sub-committee will consist of Nick Alioto, Vince Marchetti, Doug Saubert and Barb Wegner. Kevin Houlihan appointed Nick Alioto as the chair. He requested that the sub-committee be prepared to give the Committee their recommendations at the next meeting.

Glinda Loving provided an update regarding American Appraisal Procedures. They are continuing to work through the issues of differences in valuation and will be prepared to discuss this topic at the next meeting.

Dennis Tweedale discussed the Non-Owned Property Analysis. Beginning with January 2003 renewals, policyholders were asked to check whether property was owned or non-owned. Dennis reviewed any submissions that were non-owned. There have only been

four instances of non-owned buildings, all with a legitimate purpose to request coverage from the Fund. We have received the expected non-owned property items, such as contractor's equipment.

Dan Bubolz presented the **Manager's Report**.

Reinsurance

Dan reviewed the Excess property reinsurance coverage for the period from January 1, 2003 through December 31, 2003. The total cost excluding Terrorism coverage is \$4,897,433. The cost for terrorism coverage is \$268,947. A broker selection process will be conducted in early Fall 2003. The broker will be used to assist with the reinsurance renewal process.

OCI New Commissioner and Office Move

Eileen Mallow announced that the new Insurance Commissioner is Jorge Gomez, appointed on February 17, 2003 by Governor Doyle. Randy Blumer will remain as Deputy Insurance Commissioner.

Additionally, OCI's offices are moving on Friday, April 25, 2003 to 125 S. Webster Street, Madison, WI 53702. Telephone numbers and e-mail addresses for staff will remain the same.

April Zelinski, Fred Haring, and Dennis Tweedale, along with Greg Grunow and Sharon Moody, presented the **Administrator's Report**.

April Zelinski announced Staff Changes in Madison and introduced Sharon Moody to the Committee. Both Carrie Bednarek and Marie Rickert left ASU for other opportunities this Winter. Sharon replaces Carrie as the Policy Services Supervisor. Sharon has extensive insurance agency and company experience, and hails from Illinois. Additionally, ASU has promoted department assistant, Kalyn Timmons, to Customer Service Representative. A new assistant will be announced very soon.

1. Claims

I. Activity Report

April presented several charts and graphs explaining claims activity.

- a. The average claim count for the prior three years is 2,556. In FY 2003, claim counts are still running about 22% below average, and are annualizing at just fewer than 2,000 claims.
- b. However, claim severity for FY 2003 is at an all time high due to the catastrophic damage caused by the Labor Day tornadoes in northwestern Wisconsin. Average claim amounts for the prior 3 years

are just under \$6,000. Currently, the average claim amount is almost \$13,000 or a 114% increase over average.

- c. The next chart shows the number of claims with payments by coverage type, with Extended Coverage exceeding all due to the 2002 windstorms.
- d. Average claim amounts by type are consistent with the number of claims with Extended Coverage having the highest average.
- e. The total incurred by entity type shows that Schools represent 54% of the total, and
- f. Direct losses incurred by coverage type again show Extended Coverage as the largest amount at over \$11 million or 87%. These figures are consistent with the large amount of insured property and the damage caused by the 2002 windstorms.

II. Subrogation and Recoveries

Greg Grunow explained the potential for subrogation and recoveries and provided an additional handout further analyzing the results.

The potential for property recoveries still pending is over \$4 million. For the calendar year 2002, almost \$300,000 was collected.

The Committee discussed the idea of pursuing legislative support for making full restitution mandatory, especially as concerns vandalism. Eileen Mallow advised that she will begin the process by drafting language for a letter from the Advisory Committee to present to legislative staff.

Upon a motion made by Nicholas Alioto and seconded by Don LaFontaine, and after several friendly amendments, it was unanimously

RESOLVED, that the Fund Administration seek administrative relief that will require mandatory judicial restitution of the total amount of any and all property damage.

III. Tornado Update

Greg also provided the committee with an update regarding the 2002 Labor Day tornadoes.

IV. Loss Control Analysis

Greg explained some preliminary findings since ASU has been collecting data throughout 2002 with regard to causes of loss.

It was suggested that the Fund alert policyholders to the alarm credits that are available as an incentive to reduce premiums, and hopefully, claims from vandalism and theft.

2. Policy Administration

I. Activity Report

Dennis Tweedale presented several charts and graphs explaining where the program is at as of December 31, 2002. With regard to Annual Written Premium increases, he noted that the January 2003 renewals have increased about 67%.

II. Policy Issues

Fred Haring discussed a project being undertaken by ASU and the Fund to more closely examine issues with the policy on several levels. This includes language, coverage, and rating issues, as well as comparison to the insurance industry and financial implications. As the project progresses, input will be sought from committee members and legal counsel.

3. Surveys

April Zelinski presented the results of policyholder surveys conducted for both Claims and Policy Administration Services. The surveys were conducted since June 2002. Almost 1,000 surveys have been sent, with 520 returned. Comments remain very positive. Personal contact is made with any policyholder who requests contact or has had a negative experience.

4. National Flood Program

April Zelinski explained that the Fund continues to work towards being able to make a recommendation to the Committee regarding the feasibility of offering this service. We are one of five public entities selected, but none have begun writing the coverage at this time. We are the only public entity approved to become a Direct Servicing Agent which we agreed was a more efficient way to participate. Remaining issues to be resolved include contractual agreements with the sub-contractor, ASU and the Fund; estimation of expenses and fees; and logistically, how this would function.

5. 2003 Plan

April Zelinski provided the Committee with an Organizational plan for the Fund's operation for 2003. Various categories of responsibilities are listed with the two person team primarily responsible for these activities.

6. Newsletter

A newsletter is just about ready to be published. The Fund intends to produce 3 newsletters in 2003. It was suggested that we promote that the Fund's rates are still the lowest available. The concern is that the Fund cannot market against private carriers.

Dave Marchant presented the **Financial Report**. Dave reminded the Committee that he compiles the data but does not audit it. He pointed out that surplus did continue to decrease through the 2nd quarter of FY 2003. This was not unexpected as it does not include the rate increases effective January 1, 2003. After reinsurance recovery, net losses for one-half year are still almost as high as the prior fiscal year due to the 2002 windstorms and tornado losses. Without any significant or unusual claim activity, and rate increases taking effect, surplus should begin to recover.

Glinda Loving presented a report for the **Rate Analysis Sub-Committee**. The sub-committee recommended that the Committee adopt two motions.

Upon a motion made by Glinda Loving, and seconded by Vince Marchetti, it was unanimously

RESOLVED, that the current rating structure remains in force through June 30, 2004 and further resolved that the Rate Analysis Sub-Committee reconvene in March 2004 to review the rate structure based on an actuarial analysis to be performed in early 2004.

Upon a motion made by Glinda Loving, and seconded by Vince Marchetti, the following motion failed for lack of support

RESOLVED, that as the current rate structure is based on historic losses and current policy terms and conditions, the Rate Analysis Sub-Committee recommends maintaining the same coverage terms, conditions and administrative procedures that were applied prior to January 1, 2003.

The **Next Meeting of the Advisory Committee** will be held on Wednesday, October 29, 2003 beginning at 9:30 a.m. Location to be announced.

Upon a motion made by Julie Helt and seconded by Glinda Loving, it was unanimously

RESOLVED, that the meeting of the Advisory Committee is adjourned at 11:45 a.m.

Respectfully submitted,

April Zelinski

Date

ATTEST:

Kevin Houlihan, Chair

Date